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PROGRAMME, THE ENVIRONMENT FUND AND ADMINISTRATIVE AND OTHER BUDGETARY MATTERS

Revision of the Financial Rules of the Fund of the United Nations Environment Programme

and

Revision of the General Procedures governing the Operations of the Fund of the United Nations Environment Programme

Report of the Executive Director

Summary.

This report has been prepared in line with Governing Council decision 19/25 of 7 February 1997 which requested the Executive Director to submit to the Council at its twentieth session a report on the comprehensive review of the Financial Rules of the Fund of the United Nations Environment Programme.

* UNEP/GC.20/1.

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Suggested action by the Governing Council

The Governing Council may wish to endorse the report of the Executive Director on revision of the Financial Rules of the Fund of the United Nations Environment Programme and revision of the General Procedures governing the Operations of the Fund of the United Nations Environment Programme, as contained in document UNEP/GC.20/27.

1. By decision 19/25 the Governing Council approved various revisions to the Financial Rules of the Fund of the United Nations Environment Programme and the General Procedures governing the Operations of the Fund of the United Nations Environment Programme.

2. In the same decision the Council strongly urged the Executive Director to consult appropriate United Nations authorities and other relevant United Nations programmes and agencies that receive voluntary contributions or counterpart contributions to ensure that the appropriate and necessary procedures and mechanisms are in place before any such contributions are sought or accepted, and requested her to consult the financial authorities of the United Nations and other relevant United Nations programmes and agencies on the comprehensive review of the financial rules of the Fund of the United Nations Environment Programme and to report thereon to the Council at its twentieth session.

3. In pursuance of this decision, the secretariat consulted the United Nations Controller, the Office of Internal Oversight Services (OIOS), the United Nations Drug Control Programme (UNDCP), and the United Nations Development Programme (UNDP), some other United Nations agencies in respect of procedures and mechanisms which are in place in those organizations to receive counterpart contributions. UNDCP, UNDP and the World Food Programme accept counterpart contributions both in cash and in kind in relation to specific activities approved by their Governing bodies. Their procedures and mechanisms for the receipt of counterpart contributions are similar to those which are in place in UNEP.

4. UNEP accepts counterpart contributions from Governments, cooperating agencies, supporting organizations or other sources in cash or in kind to meet the cost of specific services and facilities as set out in individual project documents and in keeping with the Financial Rules of the Fund of the United Nations Environment Programme.

5. Counterpart contributions from non-governmental sources in excess of $ 500,000 are accepted only with the prior approval of the Governing Council or its subsidiary body. Counterpart contributions are accepted from profit-making organizations as long as the contributions are directed towards activities consistent with the approved programme of work and it is evident that the contributing organization is not involved in activities that are harmful to the environment.

6. The revised Financial Rules of the Fund of the United Nations Environment Programme were cleared by OIOS in February 1997 and by the United Nations Controller on 3 March 1998, and a complete revised version of the "Legislative and Financial Texts Regarding the United Nations Environment Programme and the Environment Fund" was presented to the Secretary-General on

31 July 1998 for promulgation. The Controller informed UNEP that the amended rules may be applied in the meantime. The texts of the revised Financial Rules and General Procedures of the Environment Fund were promulgated by the Secretary-General on 8 October 1998 and are being circulated as Governing Council document UNEP/GC.20/INF/12.

7. The revised Financial Rules and General Procedures meet the current requirements of UNEP, and no comprehensive review is required. However, following the streamlining and rationalization of the administrative arrangements for UNEP, the Programme and the United Nations Office at Nairobi (UNON) will keep the Financial Rules and General Procedures under review and, if their further revision is required, will consult the Governing Council or its subsidiary body before submitting any revisions for promulgation by the Secretary-General.